

# **Exhibit 1**

### *Jurisdiction*

Saudi American Bank ("SAMBA") was established by Royal Decree on February 12, 1980, to assume the banking functions of Citibank's branches in the Kingdom of Saudi Arabia. In the new formation 44.5% of the equity was sold to the Saudi public for cash. Share allocations were made to nearly 166,000 individual subscribers. An additional 15.5% of the equity was sold for cash to 60 founders, including the original Saudi members of the Board of Directors. The remaining 40% of the equity was acquired by Citibank in exchange for their assets in the Kingdom.

Simultaneously Citibank entered into Technical Management Agreement (TMA) under which it agreed to manage the new bank for 8 years. This agreement provided that Citibank would second staff to the new bank and would provide technical support to the new bank. The TMA was renewed and it finally expired on Oct. 31, 2003.

In July 1999 SAMBA merged with United Saudi Bank (the "USB") to create one of the largest and the most profitable banks in the Middle East. USB itself was the product of a merger in 1997 between United Saudi Commercial Bank (USCB) and Saudi Cairo Bank (SCB). The USCB was founded in 1982 after a merge of 3 branches of foreign banks (United Bank of Pakistan, Bank Melli Iran and Banque du Liban d'Outre Mer).

According to the SAMBA Annual Report 2003, on Oct. 31, 2003, when the TMA expired, SAMBA moved to full local management, culminating a transition plan previously agreed with Citibank. From the following day Citibank ceased to be involved in the management of SAMBA. The report describes that "the most critical transition issue was retaining the selected Citibank seconded staff... that we successfully achieved ..."

Prior to the expiration of the TMA, Citibank's stake in SAMBA was gradually reduced. Once in late 1991 they sold a 10% stake to two Saudi national agencies for social welfare and then sold additional shares in 1999 following the merger with Saudi United Bank. In 1999 Citibank holdings in the merged SAMBA remained 22.83%.

According to a Reuter's newswire, in October 2002 Citibank sold 2.83% of SAMBA to a Saudi Pension Fund for US\$230 million.

Citigroup announced (May 27, 2004) that it planned to sell its remaining 20% stake in SAMBA Financial Group, ending its presence in the country after nearly 50 years. Citigroup said it was selling the stake to a Saudi state entity, the Public Investment Fund, and would record an after-tax gain of \$760 million when it released second quarter earnings.

In addition to operating under the guidance of a corporation based in the United States, SAMBA had a U.S. office in 1996:

Saudi American Bank  
666 Fifth Avenue, 7th Floor  
New York, NY 10103

(212) 307-8274  
(212) 307-8310 [fax]

SAMBA has been a member of the U.S. – Saudi Arabian Business Council, a coalition of corporations developed to promote business relations between the two countries, since 1997. The headquarters of this group is located in Washington, D.C.

### ***Support of Terrorism***

Saudi American was one the two banks used by the Spanish al Qaeda cell to finance its own operations. Mohammed Galeb Zouaydi, an al Qaeda member prosecuted in Spain for terrorist ties, owned numerous accounts at SAMBA that showed various suspicious cash deposits.

On a letter seized Zouaydi's office in Spain, he described his personal bank status in Jeddah while he was financing the September 11 attacks from his various companies. On this document, Zouaydi noted that he had a personal bank account on the Saudi American Bank, "Jeddah Al Medina Road Branch" with the account number # 1014452201, to finance his activities in Europe. According to the Spanish Court, Zouaydi used this account to materially support the terrorism.

SAMBA also participated in the scheme to fund terrorists in Gaza and the West Bank. In 2000, Saudi Arabia's royal family issued an edict requiring large banks in the country to create a charitable account that would channel donations to "martyrs" of the Palestinian uprising. The Saudis billed this as a "humanitarian" effort and decreed that each new account would be known as Account 98.

The effort was managed by the Saudi Committee for the Support of the Intifada Al Quds, says a U.S. government official. The committee is run by Prince Naif Bin Abdul Aziz, the interior minister, an official in the Israel Defense Forces says. In October 2000 another royal, Prince Salman Bin Abdul Aziz, governor of Riyadh, encouraged citizens to deposit money in Account 98.

By participating in this effort, SAMBA directly and materially supported Hamas, Palestinian Islamic Jihad, and other terrorist groups in that region.

Defendant Khalid Bin Salim Bin Mahfouz held an account at SAMBA that was closed by Citigroup on July 6, 2003, because of allegations the he was supporting terrorists.

Khalid Bin Salim Bin Mahfouz (KBM) was Chief Operating Officer of the Bank of Credit and Commerce International (BCCI) between 1986 and 1990. In 1986, he became one of its major shareholders, holding 20% of the shares with his brothers.

KBM was indicted on July 1, 1992 on charges of participation in a scheme to defraud customers of BCCI in violation of N.Y. Penal Law § 190.65. The indictment alleges a series of misrepresentations, false loans, and fraudulent conduct in failing to disclose the status of defendant's interest in BCCI.

The 1992 US Senate Report on the BCCI Affair linked the bank to financial funding of the Afghan war.

*“(...) BCCI may have been moving money through the National Bank of Oman to fund the war in Afghanistan. The bank's role began to surface in the mid-1980's (...). This was confirmed in the Wall Street Journal of 23 October 1991 which quotes a member of the late General Zia's cabinet as saying 'It was Arab money that was pouring through BCCI.' The Bank which carried the money on from Oman to Pakistan and into Afghanistan was National Bank of Oman, where BCCI owned 29%.”*

Under Khalid Bin Mahfouz, the BCCI was also implicated in supporting terrorism, as reported by the US Senate.

*“In the course of targeting BCCI for laundering drug money, the CIA learned of BCCI's involvement in manipulating certain financial markets, in arms trafficking, and in supporting international terrorism, including handling the finances of Sabri Al-Bannah or Abu Nidal, and his terrorist organization.”*

The Senate investigative Report detailed the initial involvement of the BCCI in terrorism financial support.

*“BCCI's support of terrorism and arms trafficking developed out of several factors. First, as a principal financial institution for a number of Gulf sheikhdoms, with branches all over the world, it was a logical choice for terrorist organizations, who received payment at BCCI-London and other branches directly from Gulf-state patrons, and then transferred those funds wherever they wished without apparent scrutiny. Secondly, BCCI's flexibility regarding the falsification of documentation was helpful for such activities. Finally, to the extent that pragmatic considerations were not sufficient of themselves to recommend BCCI, the bank's pan-third world and pro-Islam ideology would have recommended it to Arab terrorist groups.*

In 1986, KBM became President and CEO of Defendant National Commercial Bank (NCB) and its principal shareholder with control over more than 50% of the bank's capital.

According to several testimonies, the NCB was operating during those years as a “financial conduit” for Osama Bin Laden operations as recalled by former CIA Chief of Counter-terrorism Vincent Cannistraro during a Congress Hearing in October 2001.

*“How does the al-Qaeda organization fund its worldwide network of cells and affiliated groups? Several businessmen in Saudi Arabia and in the Gulf contribute monies. Many of these contributions are given out of a sense of Islamic solidarity. But much of the money is paid as “protection” to avoid having the enterprises run by these men attacked. There is little doubt that a financial conduit to Bin Laden was handled through the National Commercial Bank, until the Saudi government finally*

*arrested a number of persons and closed down the channel. It was evident that several wealthy Saudis were funneling contributions to Bin Laden through this mechanism.”*

A bank audit conducted in 1998 revealed that over a 10 year period \$74 million was funneled by NCB's Zakat Committee to the International Islamic Relief Organization (IIRO), headed by Osama Bin Laden's brother-in-law. The charity happened to be a major contributor to Osama Bin Laden's operations :

*“Bin Laden used his personal fortune and continuing contributions from wealthy Islamic businessmen in Saudi and the Gulf to organize training camps in the Sudan for Islamic activists from every major Islamic country. These contributions, plus revenues from Islamic Charity fronts, such as the International Islamic Relief Organization, headed by Bin Laden's brother-in-law, as well as numerous other charitable fronts, continue to fuel his group today.”*

The NCB audit report also stated that direct donations were “received through those [NCB] facilities to the Red Crescent Saudi Committee, International Islamic Relief Organization and Muwafaq Foundation”.

In or about 1998, the NCB opened two “shared accounts” with Al-Rajhi Banking & Investment Corp (Special Joint account #22 and #33) for IIRO as a member of the Saudi Joint Relief Committee for Kosovo and Chechnya (SJRC), which was founded in 1998 by the Kingdom of Saudi Arabia to funnel donations to Islamic fighters in Kosovo and Chechnya.

The bank's audit report shows that :

*NCB established special relations with the SJRC and maintained two shared accounts with Al-Rajhi Banking & Investment Corp for IIRO and SJRC donations in Kosovo and Chechnya. These special accounts were not reviewed by the Audit Division nor by the Zakat Committee in 1998.*

In June 1991 the Bin Mahfouz family founded Muwafaq Ltd in the Isle of Man, a tax haven. Its backers were named as a group of Saudi investors from Jeddah. The same year, Muwafak Foundation (Blessed Relief) was established in Sudan with Yasin Al-Qadi acting as chairperson.

Abdulrahman Bin Khalid Bin Mahfouz, son of KBM, became trustee of the Muwafaq Foundation (Blessed Relief) while serving as member of the board and Vice Chairman of the Executive Management Committee of NCB.

Abdulrahman Bin Khalid Bin Mahfouz acknowledged in a recent interview with Forbes Magazine that Muwafaq Foundation was the “brainchild” of his father, “who funded it with as much as \$30 million”.

The assets of Muwaffaq Foundation and those of its Chairman, Yasin Al-Qadi, were frozen on October 12, 2001 by the US Treasury Department pursuant to Executive Order 13224 blocking property and prohibiting transactions with persons who commit, threaten to commit or support

terrorism. The governments of the United Kingdom, Turkey, Kazakhstan, Albania, Slovenia and Switzerland have also followed suit.

The US authorities described Yasin Al-Qadi as a "terrorist" and Muwaffaq Foundation as an organization that "financially supports terrorism" and "funnels money to the al Qaeda terrorist network". A Treasury Department statement added that :

*Muwaffaq is an Al-Qaida front that receives funding from wealthy Saudi businessmen" (...) "Saudi businessmen have been transferring millions of dollars to bin Laden through Blessed Relief.*

In an interview with the magazine *al-Watan al-Arabi* in 1996, Osama bin Laden stated that Muwaffaq in Zagreb is one of the humanitarian organizations that he is actively supporting.

SAMBA's Islamic Banking unit was created at the end of 1996. Regarding the body's activities, the SAMBA Web site states:

*Every product introduced by SAMBA's Islamic Banking Group is carefully evaluated and monitored by our Shariah Supervisory Board. Products originated outside of SAMBA by other institutions undergo the same rigorous evaluation for compliance either by an appropriate Shariah authority or by SAMBA's own Shariah Board.*

*SAMBA's Shariah Supervisory Board issues fatwas for each financing and investment product that belongs to the Islamic Banking Group. Fatwas establish guidelines that must be followed to ensure compliance with Shariah principles. Semi-annual reviews are made to confirm that guidelines are being implemented.*

The SAMBA Shariah Board is chaired by Justice Mohammed Taqi Usmani, a prominent Pakistani Islamic scholar and Mufti with powerful positions on Shariah Boards and Accounting Standard bodies across the Arab world.

Justice Usmani has been a member of the Supreme Court of Pakistan since 1982. Presently, he is Chairman, Shariah Board, Citi Islamic Investment Bank, Bahrain; Chairman, Shariah Board, Amana Investments Ltd, Sri Lanka; Vice-Chairman, Shariah Board, Abu Dhabi Islamic Bank, Abu Dhabi; Member, Shariah Board, Dow Jones Islamic Market Index; Chairman, Shariah Board, Al-Meezan Commercial Bank Ltd; Vice President, Darul-Uloom Karachi; Deputy Chairman/ Permanent Member of Islamic Fiqh Academy, Jeddah; Chairman, Centre for Islamic Economics, Pakistan, since 1991; Chairman, Shariah Council AAOIFI; Chairman, Shariah Board, IslamiQ.com; Chairman, Shariah Board, Saudi American Bank, Jeddah; Chairman, Shariah Board, HSBC, Global Islamic Finance, London; Chairman, Shariah Board, Robert Fleming Oasis Fund, Luxembourg. He was also a member of Shariah Board, Faisal Bank, till recently

Usmani made pro-Taliban mujahideen statements to a gathering of worshippers in Pakistan, we believe in late 2001 or early 2002. English language excerpts and a reporter's description of the speech, from the Pakistani magazine, *Jang*, follows:

*Mufti Taqi Usmani Sahi urged the Muslim Ummah to help and assist their Afghan Muslim brethren instead of performing Umrah, because the Afghan Mujahideen are defending the existence and identity of the entire Muslim Ummah at large, hence assisting them is an Islamic obligation. Addressing a gathering on Friday, he said that Muslims should daily perform two rakaats Salaatul Haajah and make duaa for the victory of the Talibaa.*

*Justice Mufti Taqi Uthmani has said that at this point in time, helping our Afghan brothers is the most excellent meritorious deed, citing the noble Hadith narrated by Hazrat Abu Hurairah (radiallahu anhu) who reports "When famine and drought becomes widespread amongst Muslims and they are suffering, then assisting them is the most virtuous good deed." Our Afghan brethren are facing a catastrophe. Despite the bombardment and severe winter, they are facing the enemy with great courage. Under the present circumstances, if we cannot participate in the battlefield and fight shoulder to shoulder with the Mujahideen then surely we could assist them financially and also participate in this Jihaad. Therefore, this year, over and above routine donations, we should assist our Afghan brethren with the monies normally spent on Umrah trips and other such noble acts. We hope this way that their good deeds will be accepted.*

*The Imaams should recite Qunoote Naazilah and pray especially for the success of the Afghan Mujaahideen after every Salaah. According to the fataawa of the Ulama, the Jihaad of the Taliban is a true Jihad and it is the duty of every Muslim to participate in it according to one's means and capacity.*

*Muslims are urged to fulfill this obligation.*